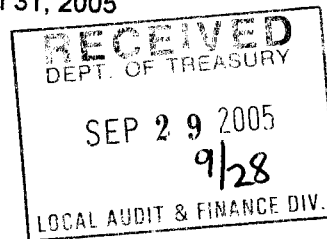


TOWNSHIP OF BREVORT
Mackinac County, Michigan

FINANCIAL REPORT WITH
SUPPLEMENTARY INFORMATION

Year Ended March 31, 2005



AUDITING PROCEDURES REPORT

Issue under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Township of Brevort	County Mackinac
Audit Date March 31, 2005	Opinion Date August 8, 2005	Date Accountant Report Submitted to State: September 26, 2005	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- RECEIVED
DEPT. OF TREASURY
SEP 29 2005
LOCAL AUDIT & FINANCE DIV.
- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
 - ☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
 - ☒ yes ☐ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
 - ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
 - ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943; as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
 - ☐ yes ☒ no 6. The local unit has been delinquent distributing tax revenues that were collected for another taxing unit.
 - ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during they year).
 - ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
 - ☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

Certified Public Accountant (Firm Name) Campbell, Kusterer & Co., P.C.			
Street Address 512 N. Lincoln, Suite 100, P.O. Box 686			
City Bay City	State MI	Zip 48707	
Accountant Signature Campbell Kusterer & Co., P.C.			

TOWNSHIP OF BREVORT
Mackinac County, Michigan

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TOWNSHIP OF BREVORT
Mackinac County, Michigan

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CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

MARK J. CAMPBELL, CPA
KENNETH P. KUSTERER, CPA

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BAY CITY, MICHIGAN 48707

TEL (989) 894-1040
FAX (989) 894-5494

INDEPENDENT AUDITOR'S REPORT

August 8, 2005

To the Township Board
Township of Brevort
Mackinac County, Michigan

We have audited the accompanying financial statements of the governmental activities, business-type activities and each major fund of Township of Brevort, Mackinac County, Michigan as of and for the year ended March 31, 2005, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Township of Brevort's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities and each major fund of the Township of Brevort, Mackinac County, Michigan as of March 31, 2005, and the respective changes in financial position and cash flows where applicable, of these activities and funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1, the Township has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, as of April 1, 2004.

In accordance with Government Auditing Standards, we have also issued our report dated August 8, 2005, on our consideration of the City's internal control over financial reporting and on tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis and budgetary comparison information listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the Township's basic financial statements. The other supporting information described in the accompanying table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, in our opinion, it is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Campbell, Kusterer & Co., P.C.

CAMPBELL, KUSTERER & CO., P.C.
Certified Public Accountants

TOWNSHIP OF BREVORT
Mackinac County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended March 31, 2005

The Management's Discussion and Analysis report of the Township of Brevort covers the Township's financial performance during the year ended March 31, 2005.

FINANCIAL HIGHLIGHTS

Our financial status remained stable over the last year. Net assets at March 31, 2005, totaled \$666,770.99 for governmental activities and \$2,962,150.75 for business activities. Overall total capital assets remained approximately the same.

Overall revenues were \$271,179.18 from governmental activities and \$116,545.80 from business-type activities. Governmental activities had a \$97,857.09 increase in net assets with major road improvements of \$18,654.07. Business-type activities had a decrease in net assets of \$103,736.47, which included \$104,463.64 in depreciation.

Taxable value increased by approximately \$1,749,452.00 or 7.10167%.

OVERVIEW OF FINANCIAL STATEMENTS

This annual report consists of three parts, management's discussion and analysis, the basic financial statements and required supplementary information. The basic financial statements include two different kinds of statements that present different views of the Township and the notes to the financial statements.

The first two statements are entity-wide financial statements and provide both long and short-term information about our overall financial status. These statements present governmental and business-type activities.

The remaining statements are fund financial statements, which focus on individual parts of the Township in more detail.

The notes to the financial statements explain some of the information in the statements and provide more detailed data.

Required supplementary information further explains and supports the financial statement information with budgetary comparisons.

ENTITY-WIDE FINANCIAL STATEMENTS

The entity-wide statements report information about the Township as a whole using accounting methods used by private companies. The statement of net assets includes all of the Township's assets and liabilities. The statement of activities records all of the current year revenues and expenses regardless of when received or paid.

The two entity-wide statements report net assets and how they have changed. Net assets are the difference between the entity's assets and liabilities and this is one method to measure the entity's financial health or position.

Over time increases/decreases in the entity's net assets are an indicator of whether financial position is improving or deteriorating.

To assess overall health of the entity you may also have to consider additional factors such as tax base changes, facility conditions and personnel changes.

TOWNSHIP OF BREVORT
Mackinac County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the year ended March 31, 2005

All of the activities of the Township are reported as governmental activities and business-type activities. These include the General Fund, Sewer Fund, Roads Fund, Fire Fund, and the Current Tax Collection Fund.

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the Township's funds, focusing on significant (major) funds not the Township as a whole. Funds are used to account for specific activities or funding sources. Some funds are required by law or bond covenants. The Township Board also may create them. Funds are established to account for funding and spending of specific financial resources and to show proper expenditures of those resources.

The Township has the following types of funds:

Governmental Funds: Some of the Township's activities are included in the governmental fund category. These funds are presented on the modified accrual basis, which is designed to show short-term financial information. You will note that the differences between the Township's entity-wide statements and the fund statements are disclosed in reconciling statements to explain the differences between them. The Township's governmental funds include the General Fund, Fire Fund and the Roads Fund.

Business-Type Funds: The Township has a Sewer Fund which includes the activity of providing sewer services to Township residents.

FINANCIAL ANALYSIS OF THE TOWNSHIP AS A WHOLE

During the year improvements were made to the East Lake Road at a cost of \$18,654.07. Improvements were made and we paid cash for them from the Roads Fund.

FINANCIAL ANALYSIS OF THE TOWNSHIP'S FUNDS

The General Fund pays for most of the Township's governmental services with total expenditures of \$129,644.47. The Sewer Fund incurred \$104,463.64 in depreciation expense, \$26,520.00 in interest expense and \$89,298.63 in other operating expenses.

CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY

The Township's governmental activities invested \$0 in capital assets.

The Township's business-type activities invested \$0 in capital assets.

The Township's governmental activities paid \$0 of principal on long-term debt.

The Township's business-type activities paid \$10,000.00 of principal on the sewer contract payable.

KNOWN FACTORS AFFECTING FUTURE OPERATIONS

The future of state revenue sharing is very clouded and it represents 26.6% of our income. We continue to grow at a 7% rate in taxable values with little demand for infrastructure, except good roads and sewer, where available.

CONTACTING THE TOWNSHIP'S MANAGEMENT

This financial report is intended to provide our taxpayers, creditors, investors and customers with a general overview of the Township's finances and to demonstrate the Township's accountability for the revenues it receives. If you have any questions concerning this report please contact the Township Clerk, Susan Stelzer at 906-643-6773 or the Township Treasurer, Daniel Litzner at 906-643-9914.

TOWNSHIP OF BREVORT
Mackinac County, Michigan

GOVERNMENT-WIDE STATEMENT OF NET ASSETS
March 31, 2005

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
ASSETS:			
CURRENT ASSETS:			
Cash in bank	615 087 21	81 436 93	696 524 14
Taxes receivable	21 335 81	-	21 335 81
Accounts receivable	-	3 591 71	3 591 71
Internal balances	25 337 01	(25 337 01)	-
Total Current Assets	<u>661 760 03</u>	<u>59 691 63</u>	<u>721 451 66</u>
NON-CURRENT ASSETS:			
Capital Assets	146 900 00	4 178 545 50	4 325 445 50
Less: Accumulated Depreciation	(132 700 00)	(470 086 38)	(602 786 38)
Total Non-current Assets	<u>14 200 00</u>	<u>3 708 459 12</u>	<u>3 722 659 12</u>
TOTAL ASSETS	<u>675 960 03</u>	<u>3 768 150 75</u>	<u>4 444 110 78</u>
LIABILITIES AND NET ASSETS:			
LIABILITIES:			
CURRENT LIABILITIES:			
Accounts payable	9 189 04	-	9 189 04
Total Current Liabilities	<u>9 189 04</u>	<u>-</u>	<u>9 189 04</u>
NON-CURRENT LIABILITIES:			
Contract payable	-	806 000 00	806 000 00
Total Non-current Liabilities	<u>-</u>	<u>806 000 00</u>	<u>806 000 00</u>
Total Liabilities	<u>9 189 04</u>	<u>806 000 00</u>	<u>815 189 04</u>
NET ASSETS:			
Invested in Capital Assets, Net of Related Debt	14 200 00	2 902 459 12	2 916 659 12
Unrestricted	652 570 99	59 691 63	712 262 62
Total Net Assets	<u>666 770 99</u>	<u>2 962 150 75</u>	<u>3 628 921 74</u>
TOTAL LIABILITIES AND NET ASSETS	<u>675 960 03</u>	<u>3 768 150 75</u>	<u>4 444 110 78</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF BREVORT
Mackinac County, Michigan

GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
Year ended March 31, 2005

		<u>Program Revenue</u>	<u>Governmental Activities</u>
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Net (Expense) Revenue and Changes in Net Assets</u>
FUNCTIONS/PROGRAMS			
Governmental Activities:			
Legislative	2 640 00	-	(2 640 00)
General government	111 300 83	11 429 80	(99 871 03)
Public safety	28 226 89	-	(28 226 89)
Public works	20 470 64	-	(20 470 64)
Other	10 683 73	-	(10 683 73)
Total Governmental Activities	173 322 09	11 429 80	(161 892 29)
Business-Type Activities:			
Sewer	220 282 27	115 650 76	-
Total Business-Type Activities	220 282 27	115 650 76	-
Total Government	393 604 36	127 080 56	(161 892 29)
General Revenues:			
Property taxes			166 772 60
Other taxes			8 754 90
State revenue sharing			46 023 50
Interest			6 814 08
Miscellaneous			31 384 30
Total General Revenues			259 749 38
Change in net assets			97 857 09
Net assets, beginning of year			568 913 90
Net Assets, End of Year			666 770 99

The accompanying notes are an integral part of these financial statements.

<u>Business-Type Activities</u>	<u>Total</u>
<u>Net (Expense) Revenue and Changes in Net Assets</u>	<u>Net (Expense) Revenue and Changes in Net Assets</u>
-	(2 640 00)
-	(99 871 03)
-	(28 226 89)
-	(20 470 64)
-	(10 683 73)
-	(161 892 29)
<u>(104 631 51)</u>	<u>(104 631 51)</u>
<u>(104 631 51)</u>	<u>(104 631 51)</u>
<u>(104 631 51)</u>	<u>(266 523 80)</u>
-	166 772 60
-	8 754 90
-	46 023 50
895 04	7 709 12
-	31 384 30
<u>895 04</u>	<u>260 644 42</u>
(103 736 47)	(5 879 38)
<u>3 065 887 22</u>	<u>3 634 801 12</u>
<u>2 962 150 75</u>	<u>3 628 921 74</u>

TOWNSHIP OF BREVORT
Mackinac County, Michigan

BALANCE SHEET - GOVERNMENTAL FUNDS
March 31, 2005

	<u>General</u>	<u>Fire</u>	<u>Roads</u>	<u>Total</u>
<u>Assets</u>				
Cash in bank	129 016 58	159 970 94	286 248 32	575 235 84
Taxes receivable	7 928 16	5 362 83	8 044 82	21 335 81
Due from other funds	<u>40 802 50</u>	<u>9 754 00</u>	<u>14 631 88</u>	<u>65 188 38</u>
Total Assets	<u>177 747 24</u>	<u>175 087 77</u>	<u>308 925 02</u>	<u>661 760 03</u>
<u>Liabilities and Fund Equity</u>				
Liabilities:				
Accounts payable	-	-	9 189 04	9 189 04
Total liabilities	<u>-</u>	<u>-</u>	<u>9 189 04</u>	<u>9 189 04</u>
Fund equity:				
Fund balances:				
Unreserved:				
Undesignated	<u>177 747 24</u>	<u>175 087 77</u>	<u>299 735 98</u>	<u>652 570 99</u>
Total fund equity	<u>177 747 24</u>	<u>175 087 77</u>	<u>299 735 98</u>	<u>652 570 99</u>
Total Liabilities and Fund Equity	<u>177 747 24</u>	<u>175 087 77</u>	<u>308 925 02</u>	<u>661 760 03</u>

TOWNSHIP OF BREVORT
Mackinac County, Michigan

RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS

TOWNSHIP OF BREVORT
Mackinac County, Michigan

RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
March 31, 2005

TOTAL FUND BALANCES – GOVERNMENTAL FUNDS	652 570 99
Amounts reported for governmental activities in the statement of net assets are different because –	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds balance sheet:	
Capital assets at cost	146 900 00
Accumulated depreciation	<u>(132 700 00)</u>
TOTAL NET ASSETS – GOVERNMENTAL ACTIVITIES	<u>666 770 99</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF BREVORT
Mackinac County, Michigan

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
Year ended March 31, 2005

	<u>General</u>	<u>Fire</u>	<u>Roads</u>	<u>Total</u>
Revenues:				
Property taxes	56 554 67	44 087 14	66 130 79	166 772 60
Other taxes	-	-	8 754 90	8 754 90
State revenue sharing	46 023 50	-	-	46 023 50
Charges for services:				
PTAF	11 429 80	-	-	11 429 80
Interest	1 734 06	984 12	4 095 90	6 814 08
Miscellaneous	21 942 56	-	9 441 74	31 384 30
Total revenues	<u>137 684 59</u>	<u>45 071 26</u>	<u>88 423 33</u>	<u>271 179 18</u>
Expenditures:				
Legislative:				
Township Board	2 640 00	-	-	2 640 00
General government:				
Supervisor	6 600 00	-	-	6 600 00
Elections	2 878 85	-	-	2 878 85
Assessor	17 560 20	-	-	17 560 20
Clerk	11 017 44	-	-	11 017 44
Attorney and audit	9 946 79	-	-	9 946 79
Board of Review	1 200 00	-	-	1 200 00
Treasurer	12 930 76	-	-	12 930 76
Building and grounds	11 862 71	-	-	11 862 71
Unallocated	35 864 08	-	-	35 864 08
Public safety:				
Fire protection	-	23 583 55	-	23 583 55
Ambulance	3 603 34	-	-	3 603 34
Zoning	1 040 00	-	-	1 040 00
Public works:				
Highways and streets	-	-	18 654 07	18 654 07
Street lighting	1 816 57	-	-	1 816 57
Other:				
Insurance and pension	8 720 78	-	-	8 720 78
Other	1 962 95	-	-	1 962 95
Total expenditures	<u>129 644 47</u>	<u>23 583 55</u>	<u>18 654 07</u>	<u>171 882 09</u>
Excess of revenues over expenditures	8 040 12	21 487 71	69 769 26	99 297 09
Fund balances, April 1	<u>169 707 12</u>	<u>153 600 06</u>	<u>229 966 72</u>	<u>553 273 90</u>
Fund Balances, March 31	<u><u>177 747 24</u></u>	<u><u>175 087 77</u></u>	<u><u>299 735 98</u></u>	<u><u>652 570 99</u></u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF BREVORT
Mackinac County, Michigan

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year ended March 31, 2005

NET CHANGE IN FUND BALANCES – TOTAL GOVERNMENTAL FUNDS 99 297 09

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures; in the Statement of Activities,
these costs are allocated over their estimated useful lives as depreciation

Depreciation Expense	(1 440 00)
Capital Outlay	-

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u>97 857 09</u>
---	------------------

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF BREVORT
Mackinac County, Michigan

STATEMENT OF NET ASSETS - BUSINESS-TYPE FUNDS
March 31, 2005

	<u>Total (Sewer)</u>
ASSETS:	
CURRENT ASSETS:	
Cash in bank	
Restricted cash in bank	17 981 03
Accounts receivable	60 137 45
Due from other funds	3 591 71
	<u>3 318 45</u>
Total Current Assets	
	<u>85 028 64</u>
NON-CURRENT ASSETS:	
Capital Assets	
Less: Accumulated Depreciation	4 178 545 50
	<u>(470 086 38)</u>
Total Non-current Assets	
	<u>3 708 459 12</u>
TOTAL ASSETS	
	<u><u>3 793 487 76</u></u>
LIABILITIES AND NET ASSETS:	
LIABILITIES:	
CURRENT LIABILITIES:	
Due to other funds	
	<u>25 337 01</u>
Total Current Liabilities	
	<u>25 337 01</u>
NON-CURRENT LIABILITIES:	
Contract payable	
	<u>806 000 00</u>
Total Non-current Liabilities	
	<u>806 000 00</u>
Total Liabilities	
	<u>831 337 01</u>
NET ASSETS:	
Invested in Capital Assets, Net of Related Debt	
Unrestricted	2 902 459 12
	<u>59 691 63</u>
Total Net Assets	
	<u>2 962 150 75</u>
TOTAL LIABILITIES AND NET ASSETS	
	<u><u>3 793 487 76</u></u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF BREVORT
Mackinac County, Michigan

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS -
BUSINESS-TYPE FUNDS
Year ended March 31, 2005

	Total (Sewer)
OPERATING REVENUES:	
Charges for services	
Total Operating Revenues	<u>115 650 76</u>
OPERATING EXPENSES:	
Wages	
Payroll taxes	22 013 66
Insurance	219 34
Legal	5 889 00
Repairs and maintenance	4 202 63
Utilities	35 468 03
Supplies	4 121 09
Miscellaneous	6 443 24
Total Operating Expenses	<u>10 941 64</u>
Operating Income before depreciation	<u>89 298 63</u>
Less: depreciation	26 352 13
Operating income (loss)	<u>(104 463 64)</u>
NON-OPERATING REVENUES (EXPENSES):	
Interest income	
Interest expense	895 04
Total Non-operating Income (Expense)	<u>(26 520 00)</u>
Change in net assets	<u>(25 624 96)</u>
Net assets, beginning of year	(103 736 47)
Net Assets, End of Year	<u>3 065 887 22</u>
	<u>2 962 150 75</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF BREVORT
Mackinac County, Michigan

STATEMENT OF CASH FLOWS – BUSINESS-TYPE FUNDS
Year ended March 31, 2005

	<u>Total (Sewer)</u>
CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received from customers	113 612 04
Cash payments to suppliers for goods and services	(67 284 97)
Cash payments to employees for services	<u>(22 013 66)</u>
Net cash provided (used) by operating activities	<u>24 313 41</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Principal paid on long-term debt	(10 000 00)
Interest paid on long-term debt	<u>(26 520 00)</u>
Net cash provided (used) by capital and related financing activities	<u>(36 520 00)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest income	<u>895 04</u>
Net cash provided (used) by investing activities	<u>895 04</u>
Net increase (decrease) in cash	(11 311 55)
Cash beginning of year	<u>89 430 03</u>
Cash End of Year	<u><u>78 118 48</u></u>
RECONCILIATION OF INCOME (LOSS) FROM OPERATIONS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Income (loss) from operations	(78 111 51)
Adjustments to reconcile income (loss) from operations to net cash provided (used) by operating activities:	
Depreciation	104 463 64
(Increase) decrease in receivables	<u>(2 038 72)</u>
Net Cash Provided (Used) in Operating Activities	<u><u>24 313 41</u></u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF BREVORT
Mackinac County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2005

Note 1 – Summary of Significant Accounting Policies

The accounting policies of the Township of Brevort, Mackinac County, Michigan, conform to generally accepted accounting principles as applicable to governmental units.

Reporting Entity

The financial statements of the Township contain all the Township funds that are controlled by or dependent on the Township's executive or legislative branches.

The reporting entity is the Township of Brevort. The Township is governed by an elected Township Board. As required by generally accepted accounting principles, these financial statements present the Township as the primary government.

Government-Wide and Fund Financial Statements

The government-wide financial statements, (the Statement of Net Assets and the Statement of Changes in Net Assets) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments and other items not properly included among program revenues are reported as general revenue.

Major individual governmental and business-type funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, restricted resources are applied first.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

TOWNSHIP OF BREVORT
Mackinac County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2005

Note 1 – Summary of Significant Accounting Policies (continued)

Governmental Funds

General Fund

This fund is used to account for all financial transactions except those required to be accounted for in another fund. The fund includes the general operating expenditures of the local unit. Revenues are derived primarily from property taxes, state and federal distributions, grants, and other intergovernmental revenues.

Special Revenue Funds

These funds are used to account for specific governmental revenues requiring separate accounting because of legal or regulatory provisions or administrative action.

Proprietary Fund

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Sewer enterprise funds are charges to customers for services. The enterprise funds also recognize as operating revenues the tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for the enterprise funds include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The Sewer Fund reports operations that provide services which are financed primarily by user charges, or activities where periodic measurement of net income is appropriate for capital maintenance, public policy, management control or other purposes.

Fiduciary Fund

The Current Tax Collection Fund is used to account for assets held as an agent for others.

Assets, Liabilities and Net Assets or Equity

Bank deposits and investments – Cash and cash equivalent investments include cash on hand, demand deposits, certificates of deposit and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables

Receivables have been recognized for all significant amounts due to the Township. Allowances for uncollectible accounts have not been provided for in that collection is not considered doubtful and any uncollected amount would be immaterial.

Inventories

Inventories of supplies are considered to be immaterial and are not recorded.

TOWNSHIP OF BREVORT
Mackinac County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2005

Note 1 – Summary of Significant Accounting Policies (continued)

Property Taxes

Property taxes and other revenue that are both measurable and available for use to finance operations are recorded as revenue when earned.

Properties are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. These taxes are due on February 14 with the final collection date of February 28 before they are added to the county tax rolls. The 2004 tax roll millage rate was 6.7536 mills, and the taxable value was \$24,634,374.00.

Encumbrances

Encumbrances involving the current recognition of purchase orders, contracts and other commitments for future expenditures are not recorded.

Capital Assets

Capital assets are defined by the Township as assets with an initial cost of more than \$500.00 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost. Donated assets are reported at estimated fair market value at the date of donation. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings, additions and improvements	10-20 years
Furniture and equipment	10 years

Compensated Absences (Vacation and Sick Leave)

Township employees are not allowed to accumulate vacation and sick pay and therefore no accumulated amount is recorded in the financial statements.

Post-employment Benefits

The Township provides no post-employment benefits to past employees.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Accounting Change

Effective April 1, 2004, the Township implemented the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* (GASB No. 34). Changes to the Township's financial statements as a result of GASB No. 34 are as follows:

A Management's Discussion and Analysis (MD&A) section providing analysis of the Township's overall financial position and results of operations has been included.

TOWNSHIP OF BREVORT
Mackinac County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2005

Note 1 – Summary of Significant Accounting Policies (continued)

Accounting Change (continued)

Government-wide financial statements (Statement of Net Assets and Statement of Activities) prepared using the full accrual accounting for all the Township's activities have been provided.

Capital assets in the governmental activities column of the Statement of Net Assets include net assets totaling \$14,200.00.

Note 2 – Budgets and Budgetary Accounting

The following procedures are followed in establishing the budgetary data reflected in these financial statements:

1. Prior to the beginning of the fiscal year, the proposed budget for each budgetary fund is submitted to the Township Board for consideration.
2. The proposed budgets include expenditures as well as the methods of financing them.
3. Public hearings are held to obtain taxpayer comments.
4. The budgets are adopted at the activity level by a majority vote of the Township Board.
5. The budgets are adopted on the modified accrual basis of accounting.
6. The originally adopted budgets can be amended during the year only by a majority vote of the Township Board.
7. The adopted budgets are used as a management control device during the year for all budgetary funds.
8. Budget appropriations lapse at the end of each fiscal year.
9. The budgeted amounts shown in these financial statements are the originally adopted budgets with all amendments that were approved by the Township Board during the fiscal year.

Note 3 – Deposits and Investments

Michigan Compiled Laws, Section 129.91, authorizes the Township to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligation repurchase agreements; banker's acceptance of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

TOWNSHIP OF BREVORT
Mackinac County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2005

Note 3 – Deposits and Investments (continued)

The Township Board has designated one bank for the deposit of Township funds. The investment policy adopted by the Board in accordance with Public Act 196 of 1997 has authorized investment in all investments authorized by state law as listed above.

The Township's deposits and investments are in accordance with statutory authority.

The Governmental Accounting Standards Board Statement No. 3, risk disclosures for the cash deposits are as follows:

	<u>Carrying Amounts</u>
Total Deposits	<u>820 075 40</u>

Amounts in the bank balances are without considering deposits in transit or uncleared checks.

	<u>Bank Balances</u>
Insured (FDIC)	200 000 00
Uninsured and Uncollateralized	<u>620 097 79</u>
Total Deposits	<u>820 097 79</u>

The Township of Brevort did not have any investments as of March 31, 2005.

Note 4 – Capital Assets

Capital asset activity of the Township's Governmental and Business-Type activities for the current year was as follows:

	<u>Balance 4/1/04</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 3/31/05</u>
<u>Governmental Activities:</u>				
Land	7 000 00	-	-	7 000 00
Buildings	29 400 00	-	-	29 400 00
Equipment	<u>110 500 00</u>	<u>-</u>	<u>-</u>	<u>110 500 00</u>
Total	146 900 00	-	-	146 900 00
Accumulated Depreciation	<u>(131 260 00)</u>	<u>(1 440 00)</u>	<u>-</u>	<u>(132 700 00)</u>
Net Governmental Capital Assets	<u>15 640 00</u>	<u>(1 440 00)</u>	<u>-</u>	<u>14 200 00</u>
<u>Business-Type Activities:</u>				
Sewer System	4 178 545 50	-	-	4 178 545 50
Accumulated Depreciation	<u>(365 622 74)</u>	<u>(104 463 64)</u>	<u>-</u>	<u>(470 086 38)</u>
Net Business-Type Capital Assets	<u>3 812 922 76</u>	<u>(104 463 64)</u>	<u>-</u>	<u>3 708 459 12</u>

TOWNSHIP OF BREVORT
Mackinac County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2005

Note 5 – Deferred Compensation Plan

The Township does not have a deferred compensation plan.

Note 6 – Pension Plan

The Township has a defined contribution pension plan covering all full-time employees. The Township contributes an amount of each employee's annual salary to the plan. Pension expense for the fiscal year ended March 31, 2005, was \$3,895.78.

Note 7 – Sewer Fund Contract Payable

In 1999, the County of Mackinac issued \$842,000.00 of its bonds to partially fund improvements to the Brevort Township Sewer System. The Township has agreed to make payments to the County in amounts sufficient to pay the principal and interest at the rate of 3.25% per annum on the bonds as they come due. As of March 31, 2005, the principal balance outstanding was \$806,000.00 and it is recorded in the Sewer Fund.

<u>Due Date</u>	<u>Principal Amount</u>	<u>Interest Amount</u>	<u>Total Amount</u>
6-1-05		13 097 50	13 097 50
12-1-05	10 000 00	13 097 50	23 097 50
6-1-06		12 935 00	12 935 00
12-1-06	11 000 00	12 935 00	23 935 00
6-1-07		12 756 25	12 756 25
12-1-07	12 000 00	12 756 25	24 756 25
6-1-08		12 561 25	12 561 25
12-1-08	12 000 00	12 561 25	24 561 25
6-1-09		12 366 25	12 366 25
12-1-09	13 000 00	12 366 25	25 366 25
6-1-10		12 155 00	12 155 00
12-1-10	14 000 00	12 155 00	26 155 00
6-1-11		11 927 50	11 927 50
12-1-11	15 000 00	11 927 50	26 927 50
6-1-12		11 683 75	11 683 75
12-1-12	15 000 00	11 683 75	26 683 75
6-1-13		11 440 00	11 440 00
12-1-13	16 000 00	11 440 00	27 440 00
6-1-14		11 180 00	11 180 00
12-1-14	16 000 00	11 180 00	27 180 00
6-1-15		10 920 00	10 920 00
12-1-15	17 000 00	10 920 00	27 920 00
6-1-16		10 643 75	10 643 75
12-1-16	18 000 00	10 643 75	28 643 75
6-1-17		10 351 25	10 351 25
12-1-17	19 000 00	10 351 25	29 351 25
6-1-18		10 042 50	10 042 50
12-1-18	19 000 00	10 042 50	29 042 50
6-1-19		9 733 75	9 733 75
12-1-19	20 000 00	9 733 75	29 733 75
6-1-20		9 408 75	9 408 75
12-1-20	20 000 00	9 408 75	29 408 75

TOWNSHIP OF BREVORT
Mackinac County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2005

Note 7 – Sewer Fund Contract Payable (continued)

<u>Due Date</u>	<u>Principal Amount</u>	<u>Interest Amount</u>	<u>Total Amount</u>
6-1-21		9 083 75	9 083 75
12-1-21	21 000 00	9 083 75	30 083 75
6-1-22		8 742 50	8 742 50
12-1-22	22 000 00	8 742 50	30 742 50
6-1-23		8 385 00	8 385 00
12-1-23	23 000 00	8 385 00	31 385 00
6-1-24		8 011 25	8 011 25
12-1-24	23 000 00	8 011 25	31 011 25
6-1-25		7 637 50	7 637 50
12-1-25	24 000 00	7 637 50	31 637 50
6-1-26		7 247 50	7 247 50
12-1-26	25 000 00	7 247 50	32 247 50
6-1-27		6 841 25	6 841 25
12-1-27	26 000 00	6 841 25	32 841 25
6-1-28		6 418 75	6 418 75
12-1-28	28 000 00	6 418 75	34 418 75
6-1-29		5 963 75	5 963 75
12-1-29	29 000 00	5 963 75	34 963 75
6-1-30		5 492 50	5 492 50
12-1-30	30 000 00	5 492 50	35 492 50
6-1-31		5 005 00	5 005 00
12-1-31	32 000 00	5 005 00	37 005 00
6-1-32		4 485 00	4 485 00
12-1-32	33 000 00	4 485 00	37 485 00
6-1-33		3 948 75	3 948 75
12-1-33	34 000 00	3 948 75	37 948 75
6-1-34		3 396 25	3 396 25
12-1-34	36 000 00	3 396 25	39 396 25
6-1-35		2 811 25	2 811 25
12-1-35	39 000 00	2 811 25	41 811 25
6-1-36		2 177 50	2 177 50
12-1-36	43 000 00	2 177 50	45 177 50
6-1-37		1 478 75	1 478 75
12-1-37	45 000 00	1 478 75	46 478 75
6-1-38		747 50	747 50
12-1-38	46 000 00	747 50	46 747 50
Total	<u>806 000 00</u>	<u>562 152 50</u>	<u>1 368 152 50</u>

Note 8 – Risk Management

The Township is exposed to various risks of loss related to property loss, torts, errors, omissions, and employee injuries (workers' compensation). The Township has purchased commercial insurance for property loss, torts and workers' compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Note 9 – Building Permits

The Township of Brevort does not issue building permits. Building permits are issued by the State of Michigan.

TOWNSHIP OF BREVORT
Mackinac County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2005

Note 10 – Interfund Receivables and Payables

The amounts of interfund receivables and payables are as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
Sewer	3 318 45	Current Tax Collection	43 169 82
Fire	9 754 00	Sewer	25 337 01
General	15 465 49		
Road	14 631 88		
General	<u>25 337 01</u>		
Total	<u>68 506 83</u>	Total	<u>68 506 83</u>

Note 11 – Segment Information for Enterprise Funds

The Township maintains one Enterprise Fund which provides sewer services. Segment information for the year ended March 31, 2005, is as follows:

	<u>Sewer Fund</u>
Operating revenues	115 650 76
Depreciation expense	104 463 64
Net income (loss)	(78 111 51)
Net working capital	606 039 18
Net assets	2 962 150 75

Note 12 – Budget Variances

During the fiscal year ended March 31, 2005, the Township expenditures exceeded budgeted amounts in the activities as follows:

	<u>Total Budget</u>	<u>Total Expenditures</u>	<u>Excess Expenditures</u>
General Fund Activity:			
Elections	1 800 00	2 878 85	1 078 85
Attorney and audit	4 900 00	9 946 79	5 046 79
Unallocated	18 595 00	35 864 08	17 269 08

TOWNSHIP OF BREVORT
Mackinac County, Michigan

BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
Year ended March 31, 2005

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
Revenues:				
Property taxes	61 000 00	61 000 00	56 554 67	(4 445 33)
State revenue sharing	45 600 00	45 600 00	46 023 50	423 50
Charges for services:				
PTAF	7 200 00	7 200 00	11 429 80	4 229 80
Interest	1 500 00	1 500 00	1 734 06	234 06
Miscellaneous	9 500 00	9 500 00	21 942 56	12 442 56
Total revenues	<u>124 800 00</u>	<u>124 800 00</u>	<u>137 684 59</u>	<u>12 884 59</u>
Expenditures:				
Legislative:				
Township Board	2 640 00	2 640 00	2 640 00	-
General government:				
Supervisor	6 600 00	6 600 00	6 600 00	-
Elections	1 800 00	1 800 00	2 878 85	1 078 85
Assessor	18 000 00	18 000 00	17 560 20	(439 80)
Clerk	12 260 00	12 260 00	11 017 44	(1 242 56)
Attorney and audit	4 900 00	4 900 00	9 946 79	5 046 79
Board of Review	1 500 00	1 500 00	1 200 00	(300 00)
Treasurer	13 630 00	13 630 00	12 930 76	(699 24)
Building and grounds	12 150 00	12 150 00	11 862 71	(287 29)
Unallocated	18 595 00	18 595 00	35 864 08	17 269 08
Public safety:				
Ambulance	14 000 00	14 000 00	3 603 34	(10 396 66)
Zoning	5 000 00	5 000 00	1 040 00	(3 960 00)
Public works:				
Street lighting	2 000 00	2 000 00	1 816 57	(183 43)
Other:				
Insurance and pension	9 100 00	9 100 00	8 720 78	(379 22)
Other	2 000 00	2 000 00	1 962 95	(37 05)
Total expenditures	<u>124 175 00</u>	<u>124 175 00</u>	<u>129 644 47</u>	<u>5 469 47</u>
Excess of revenues over expenditures	625 00	625 00	8 040 12	7 415 12
Fund balance, April 1	-	-	169 707 12	169 707 12
Fund Balance, March 31	<u>625 00</u>	<u>625 00</u>	<u>177 747 24</u>	<u>177 122 24</u>

TOWNSHIP OF BREVORT
Mackinac County, Michigan

BUDGETARY COMPARISON SCHEDULE - FIRE FUND
Year ended March 31, 2005

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
Revenues:				
Property taxes	49 000 00	49 000 00	44 087 14	(4 912 86)
Interest	-	-	984 12	984 12
Total revenues	<u>49 000 00</u>	<u>49 000 00</u>	<u>45 071 26</u>	<u>(3 928 74)</u>
Expenditures:				
Public safety:				
Fire protection	42 992 00	42 992 00	23 583 55	(19 408 45)
Total expenditures	<u>42 992 00</u>	<u>42 992 00</u>	<u>23 583 55</u>	<u>(19 408 45)</u>
Excess of revenues over expenditures	6 008 00	6 008 00	21 487 71	15 479 71
Fund balance, April 1	-	-	153 600 06	153 600 06
Fund Balance, March 31	<u>6 008 00</u>	<u>6 008 00</u>	<u>175 087 77</u>	<u>169 079 77</u>

TOWNSHIP OF BREVORT
Mackinac County, Michigan

BUDGETARY COMPARISON SCHEDULE - ROADS FUND
Year ended March 31, 2005

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
Revenues:				
Property taxes	74 000 00	74 000 00	66 130 79	(7 869 21)
Other taxes	-	-	8 754 90	8 754 90
Interest	3 700 00	3 700 00	4 095 90	395 90
Miscellaneous	-	-	9 441 74	9 441 74
Total revenues	<u>77 700 00</u>	<u>77 700 00</u>	<u>88 423 33</u>	<u>10 723 33</u>
Expenditures:				
Public works:				
Highways and streets	<u>64 488 00</u>	<u>64 488 00</u>	<u>18 654 07</u>	<u>(45 833 93)</u>
Total expenditures	<u>64 488 00</u>	<u>64 488 00</u>	<u>18 654 07</u>	<u>(45 833 93)</u>
Excess of revenues over expenditures	13 212 00	13 212 00	69 769 26	56 557 26
Fund balance, April 1	-	-	<u>229 966 72</u>	<u>229 966 72</u>
Fund Balance, March 31	<u>13 212 00</u>	<u>13 212 00</u>	<u>299 735 98</u>	<u>286 523 98</u>

TOWNSHIP OF BREVORT
Mackinac County, Michigan

COMBINING BALANCE SHEET - ALL SPECIAL REVENUE FUNDS
March 31, 2005

<u>Assets</u>	<u>Fire</u>	<u>Roads</u>	<u>Total</u>
Cash in bank	159 970 94	286 248 32	446 219 26
Taxes receivable	5 362 83	8 044 82	13 407 65
Due from other funds	9 754 00	14 631 88	24 385 88
Total Assets	<u>175 087 77</u>	<u>308 925 02</u>	<u>484 012 79</u>
<u>Liabilities and Fund Balances</u>			
Liabilities:			
Accounts payable	-	9 189 04	9 189 04
Total liabilities	<u>-</u>	<u>9 189 04</u>	<u>9 189 04</u>
Fund balances:			
Unreserved:			
Undesignated	175 087 77	299 735 98	474 823 75
Total fund balances	<u>175 087 77</u>	<u>299 735 98</u>	<u>474 823 75</u>
Total Liabilities and Fund Balances	<u>175 087 77</u>	<u>308 925 02</u>	<u>484 012 79</u>

TOWNSHIP OF BREVORT
Mackinac County, Michigan

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - ALL SPECIAL REVENUE FUNDS
Year ended March 31, 2005

	<u>Fire</u>	<u>Roads</u>	<u>Total</u>
Revenues:			
Property taxes	44 087 14	66 130 79	110 217 93
Other taxes	-	8 754 90	8 754 90
Interest	984 12	4 095 90	5 080 02
Miscellaneous	-	9 441 74	9 441 74
Total revenues	<u>45 071 26</u>	<u>88 423 33</u>	<u>133 494 59</u>
Expenditures:			
Public safety:			
Fire protection	23 583 55	-	23 583 55
Public works:			
Highways and streets	-	18 654 07	18 654 07
Total expenditures	<u>23 583 55</u>	<u>18 654 07</u>	<u>42 237 62</u>
Excess of revenues over expenditures	21 487 71	69 769 26	91 256 97
Fund balances, April 1	<u>153 600 06</u>	<u>229 966 72</u>	<u>383 566 78</u>
Fund Balances, March 31	<u><u>175 087 77</u></u>	<u><u>299 735 98</u></u>	<u><u>474 823 75</u></u>

TOWNSHIP OF BREVORT
Mackinac County, Michigan

CURRENT TAX COLLECTION FUND
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
Year ended March 31, 2005

<u>Assets</u>	<u>Balance 4/1/04</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 3/31/05</u>
Cash in Bank	<u>42 710 09</u>	<u>822 850 99</u>	<u>698 840 00</u>	<u>166 721 08</u>
<u>Liabilities</u>				
Due to other funds	10 343 45	185 819 12	152 992 75	43 169 82
Due to other units	<u>32 366 64</u>	<u>637 031 87</u>	<u>545 847 25</u>	<u>123 551 26</u>
Total Liabilities	<u>42 710 09</u>	<u>822 850 99</u>	<u>698 840 00</u>	<u>166 721 08</u>

TOWNSHIP OF BREVORT
Mackinac County, Michigan

CURRENT TAX COLLECTION FUND
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
Year ended March 31, 2005

Cash in bank – beginning of year	<u>42 710 09</u>
Cash receipts:	
Property tax	814 952 09
Property tax administration fees	7 880 93
Interest	<u>17 97</u>
Total cash receipts	<u>822 850 99</u>
Total beginning balance and cash receipts	<u>865 561 08</u>
Cash disbursements:	
Township General Fund	53 298 08
Township Fire Fund	38 724 31
Township Roads Fund	53 642 29
Township Sewer Fund	7 328 07
Mackinac County	233 957 89
E.U.P. Intermediate School District	17 241 25
St. Ignace Area School District	270 500 71
Rudyard Area School District	23 862 12
Refunds	<u>285 28</u>
Total cash disbursements	<u>698 840 00</u>
Cash in Bank – End of Year	<u><u>166 721 08</u></u>

CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

MARK J. CAMPBELL, CPA
KENNETH P. KUSTERER, CPA

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REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

August 8, 2005

To the Township Board
Township of Brevort
Mackinac County, Michigan

We have audited the financial statements of the Township of Brevort, Mackinac County, Michigan as of and for the year ended March 31, 2005, and have issued our report thereon dated August 8, 2005. We conducted our audit in accordance with generally accepted auditing standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As a part of obtaining reasonable assurance about whether Township of Brevort's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, non-compliance with which could have a direct and material effect of the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclose no instances of non-compliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Township of Brevort's internal control over financial reporting in order to determine our auditing procedures for the purposes of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted an inadequate control over cash transactions caused by an inherent lack of segregation of duties which is due to the limited number of office personnel employed involving the internal control over financial reporting and its operation that we consider to be a material weakness.

This report is intended for the information of management and other regulatory agencies. However, this report is a matter of public records and its distribution is not limited.

Campbell, Kusterer & Co., P.C.

CAMPBELL, KUSTERER & CO., P.C.
Certified Public Accountants

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CERTIFIED PUBLIC ACCOUNTANTS

MARK J. CAMPBELL, CPA
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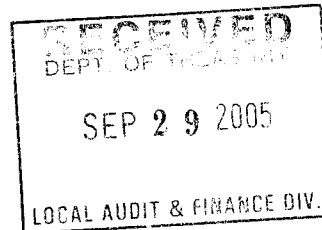
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AUDIT COMMUNICATION AND REPORT OF COMMENTS AND RECOMMENDATIONS

August 8, 2005

To the Township Board
Township of Brevort
Mackinac County, Michigan



We have audited the financial statements of the Township of Brevort for the year ended March 31, 2005. As required by auditing standards generally accepted in the United States, the independent auditor is required to make several communications to the governing body having oversight responsibility for the audit. The purpose of this communication is to provide you with additional information regarding the scope and results of our audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

AUDITOR'S RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES

We conducted our audit of the financial statements of the Township of Brevort in accordance with auditing standards generally accepted in the United States. The following paragraph explains our responsibilities under those standards.

Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for the safeguarding of assets, and for devising an internal control structure that will, among other things, help assure the proper recording of transactions. The transactions that should be reflected in the accounts and in the financial statements are matters within the direct knowledge and control of management. Our knowledge of such transactions is limited to that acquired through our audit. Accordingly, the fairness of representations made through the financial statements is an implicit and integral part of management's accounts and records. However, our responsibility for the financial statements is confined to the expression of an opinion on them. The financial statements remain the responsibility of management.

The concept of materiality is inherent in the work of an independent auditor. An auditor places greater emphasis on those items that have, on a relative basis, more importance to the financial statements and greater possibilities of material error than those items of lesser importance or those in which the possibility of material error is remote.

For this purpose, materiality has been defined as "the magnitude of an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement."

An independent auditor's objective in an audit is to obtain sufficient competent evidential matter to provide a reasonable basis for forming an opinion on the financial statements. In doing so, the auditor must work within economic limits; the opinion, to be economically useful, must be formed within a reasonable length of time and at reasonable cost. That is why an auditor's work is based on selected tests rather than an attempt to verify all transactions. Since evidence is examined on a test basis only, an audit provides only reasonable assurance, rather than absolute assurance, that financial statements are free of material misstatement. Thus, there is a risk that audited financial statements may contain undiscovered material errors or fraud. The existence of that risk is implicit in the phrase in the audit report, "in our opinion."

To the Township Board
Township of Brevort
Mackinac County, Michigan

In the audit process, we gain an understanding of the internal control structure of an entity for the purpose of assisting in determining the nature, timing, and extent of audit testing. Our understanding is obtained by inquiry of management, testing transactions, and observation and review of documents and records. The amount of work done is not sufficient to provide a basis for an opinion on the adequacy of the internal control structure.

SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies are described in Note 1 to the financial statements.

OTHER COMMUNICATIONS

Auditing standards call for us to inform you of other significant issues such as, but not limited to, 1) Accounting estimates that are particularly sensitive because of their significance to the financial statements or because of the possibility that future events affecting them may differ markedly from management's current judgments; 2) Significant audit adjustments that may not have been detected except through the auditing procedures we performed; 3) Disagreements with management regarding the scope of the audit or application of accounting principles; 4) Consultation with other accountants; 5) Major issues discussed with management prior to retention; and 6) Difficulties encountered in performing the audit.

We have no significant issues, regarding these matters, to report to you at this time. Audit adjustments were minimal, and are available to review.

GASB 34 IMPLEMENTATION

The Governmental Accounting Standards Board issued a new reporting model for governmental units which was required to be implemented for the fiscal year ended March 31, 2005. The implementation of this pronouncement for the Township of Brevort began with the year ended March 31, 2005. The daily operations and recording transactions did not change significantly, however, the Township is required to maintain additional records for the year end adjustments to the final presentation format.

COMMENTS AND RECOMMENDATION REGARDING INTERNAL CONTROLS/ COMPLIANCE/ EFFICIENCY

Our procedures disclosed the following conditions that we would like to bring to your attention:

SEGREGATION OF DUTIES

A separation of duties between persons who authorize transactions and persons who have control over the related assets does not always exist.

The least desirable accounting system is one in which an employee is responsible for executing the transaction and then recording the transaction from its origin to its ultimate posting in the General Ledger. This increases the likelihood that intentional or unintentional errors will go undetected. In most cases, adequate segregation of duties substantially increases control over errors without duplication of effort.

We understand that due to the size of needed staff, a proper segregation of duties may be impractical and the "cost to benefit" relationship may not justify the addition of accounting staff to accomplish the desired segregation.

These conditions were considered in determining the nature, timing and extent of the audit tests to be applied in our audit of the Township's financial statements and this communication of these matters does not affect our report on the Township's financial statements, dated March 31, 2005.

To the Township Board
Township of Brevort
Mackinac County, Michigan

SUMMARY

We welcome any questions you may have regarding the foregoing comments and we would be happy to discuss any of these or other questions that you might have at your convenience.

Sincerely,

Campbell, Kusterer & Co., P.C.

CAMPBELL, KUSTERER & CO., P.C.
Certified Public Accountants